

CONFIDENTIAL

UNITED STATES INTELLIGENCE DIVISION
OFFICE OF SPECIAL OPERATIONS
NAVY DEPARTMENT

INTELLIGENCE REPORT

46251

Serial 59-48
(Start new series each year, i. e. 1-43, 2-43)

Monograph Index Guide No. _____
(To correspond with SUBJECT given below. See O. N. I. Index
Make separate report for each main title.)

From DIO-11ND at San Diego Date 28 April
(Ship, fleet, unit, district, office, station, or person)

Reference (a) 11ND NMI-96 rpt #48-48, dtd 3/30/48, same subj.
(Directive, correspondence, previous related report, etc., if applicable)

Source Confidential Informants Evaluation A-1
(As official, personal observation, publication, press, conversation with—
Identify when practicable, etc.) A-1 to E-O etc.
AS/EN 3-10; SER. 4312416-11-10-42

Subject PANAMA-PALESTINE - Commercial Air Line, establishment of.
(Nation reported on) (Main title as per index guide) (Subtitles) (Make separate report for each title)

BRIEF: (Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates)

BRIEF: Reference NMI-96 report briefly reported the establishment of an air line which is to operate between Panama and Palestine. This report goes into much greater detail, relates latest developments, includes information on attempts to export 42 combat military aircraft engines without State Department license in violation of law, and gives detailed background information on the principals involved, which may be of interest to Naval Attaches at Panama and the Near East.

Note: This information is as of April 1948

SOURCE: Investigation in cooperation with two other agencies of the Federal government at Los Angeles. Sources one through thirteen are confidential informants, and while their information is in minor detail slightly at variance, all are believed to be reliable.

REPORT: PANAMA-PALESTINE - Commercial Air Line - Service Airways, known in Panama as LINEAS AEREAS DE PANAMA.

In connection with the investigation of one Albert Miller who associated with Leonard Wiseman of Foundry Associates, Incorporated, and who was involved in the purchase of M3 demolition explosives from the War Assets Administration for ultimate shipment to Palestine, the following information developed which indicates a general tie-in of Jewish agencies purchasing war materiel in the United States with the SERVICE AIRWAYS, INC. This company is setting up a Panama-Palestine air line under the name of LINEAS AEREAS DE PANAMA, and recently attempted to export 42 combat military aircraft from Los Angeles to Panama in violation of State Department regulations.

I. Excerpts from a report made at Los Angeles 1/16/48 by source #1:

(a) An interview of confidential source #2 indicates that A. T. CONNELLER, whose residence address was given as 206 Poplar Street, Bridgeport, Connecticut, had opened an account at a Los Angeles bank on 3 December 1947. He was listed as an aero-engineer, born in New York City. He listed the Seaside Bank and Trust Company of Bridgeport, Connecticut as a bank reference.

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The opening deposit was \$20,000.00. Source #2 commented that SCH-1234 came to the bank on 3 December 1947, with a cashier's check in the amount of \$20,000 from the Chase National Bank in New York City. SCH-1234 stated that he was buying three Constellation airplanes from the War Assets Administration and that he was going to be a resident for approximately two months while the planes were undergoing modification at the Lockheed Air Terminal, Burbank, California. SCH-1234 commented that he was an ex-flyer and had previously flown as flight engineer for the Trans-World Air Lines. One R. SELL was listed as accompanying SCH-1234 to Los Angeles to ready the Constellation planes. A review of SCH-1234's account reflected that a deposit was made in the form of a cashier's check from the Chase National Bank, New York on 8 January 1948, in the amount of \$35,000. As of 12 January 1948, SCH-1234's balance was \$67,116.45. A review of the records made 10 March 1948 revealed that on 28 February 1948, a deposit of \$50,000 was made to the account of Adolph SCH-1234 and Ray SELL. On February 3rd, \$59,000 had been deposited to their account. Both deposits had been telegraphic transfers from the Chase National Bank in New York City.

(b) Interview of source #3: This source stated that he received a telephone call from source #5 approximately two months ago stating that one A. T. SCH-1234 had purchased three Constellation planes from War Assets Administration, which planes were at that time located on the Lockheed field, and that SCH-1234 was to appear at the Lockheed Air Terminal to ready the above mentioned planes. When SCH-1234 arrived in Los Angeles, he immediately let it be known that he did not wish to discuss the ultimate destination of the Constellations purchased, advised that he would pay cash for all the necessary parts, and desired to hire personnel acquainted with the Constellation airplanes. Source #3 stated that he had learned through a local bank that SCH-1234's funds were coming through the Chase National Bank in New York. From a representative of the New York bank, he learned that the money was coming from "a large law office in New York City". Source #3 also stated that the Lockheed Company was preparing approximately \$8,000 worth of parts to be used on SCH-1234's Constellations. According to source #3, SCH-1234 rented facilities on the Lockheed air strip, and persons employed in the reconditioning of the three Constellations dubbed the planes "The Palestine Express".

(c) Interview of source #4: This source stated that SCH-1234 had been on the Lockheed air strip for thirty-four days reconditioning three Constellation planes which had formerly belonged to the U. S. Army; that SCH-1234 had pirated employees from the Lockheed Company, and was using bad parts in the modification of the planes. He stated that the Lockheed Aircraft Company was somewhat concerned about the whole operation inasmuch as any resulting air tragedies would reflect on the Constellation plane, which had already received bad publicity in the past. He stated, however, the Lockheed Company could take no action against SCH-1234. He stated that SCH-1234 seemed very secretive about the whole operation, refusing to tell the name of the person who had given him financial backing. He seemed to ward off any inquiry with the statement that the whole transaction could be paid for by "cash on the line", and seemed to resent further inquiry. Source #4 stated there had been a rumor that the planes were destined to fly freight to Spain but that he had no authentic information regarding the transaction.

(d) Interview of source #5: According to this source, the U. S. Army had declared six Constellation planes surplus and had turned them over to War Assets Administration. All six planes were located at the Lockheed Air Terminal. He stated that about two months ago he received a telephone call from source #12 at the War Assets Administration, Los Angeles, who advised him that Mr. ADDEN, Director of Surplus Sales of WAA in Washington, D.C., had

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stated that Mr. A. J. SCHILLER had purchased three of the Constellation planes then on the Lockheed Air Terminal. Mr. SCHILLER was to be granted the privilege of selecting the three best Constellation planes out of the total of six then on the field. Source #5 stated that he had delivered two planes to SCHILLER after SCHILLER had made the selection of the three that he desired to purchase, and that he had received the impression that the planes were to be flown to South America. He further commented that SCHILLER seemed very "closemouthed" about the necessary parts for modification of the airplanes. The three Constellations purchased by SCHILLER bore the following Army Serial numbers: C69-43-10316, C69-43-10315, and C69-43-10313. According to source #5, all engines on all three planes were Wright 2200 horsepower engines of Type R 3350-35.

(c) Interview of Adolph William SCHWIMMER, 206 Poplar Street, Bridgeport, Connecticut. Mr. SCHWIMMER was interviewed at Lockheed Air Terminal on 14 January 1947, by source #1. Mr. SCHILLER stated his local temporary address is 3611 N. San Fernando Road, Burbank, California. He gave the following information concerning himself: Age 30, born 10 June 1917 at New York City. Marital status-single. National lineage-Jewish. Occupation-Flight Engineer. Background-Member of Air Transport Command in World War II. Pilot's license #59667. Parents-John and Fanny SCHWIMMER, presently residing in Bridgeport, Connecticut.

Mr. SCHWIMMER stated that he was accompanied to Los Angeles by Mr. Reynold SELK, 35 Kensington Street, New Haven, Connecticut. Mr. SELK's activities were described as parts man and factory contact for the purpose of expediting new parts for airplanes.

Mr. SCHILLER stated that he is presently engaged in directing the modification of three Constellation airplanes at the Lockheed Terminal and that the operation will be completed approximately February 15, 1948. He stated there has been considerable idle talk about the ultimate destination of the three Constellation planes now undergoing modification. He stated that he has kept all information confidential inasmuch as he did not desire any publicity he given the fact that the Jewish Agency was purchasing airplanes in the United States, and that he specifically did not desire that any representatives of the Arab nation should receive the information.

He stated there was positively nothing illegal about the whole operation, but that the operation was shrouded in secrecy as a precautionary measure. He stated that he had formerly been employed by the Trans-World Air Lines as a flight engineer and had crossed the North Atlantic in that capacity 280 times. He claims to be well versed in the operation and maintenance of Constellation airplanes.

About September 15, 1947, SCHILLER stated he received a telephone call from Mr. Albert MILLER, who was then in New York. The telephone call was made to his home in Bridgeport, Connecticut. He stated that at that time he had just arrived from Wilmington, Delaware on termination of a flight across the Atlantic. Albert MILLER advised SCHWIMMER that he would like to speak to him on a matter of great importance and it was arranged that they would meet on the corner in front of the Grand Central Station, New York City, across the street from the air line's terminal.

SCHWIMMER went to New York and met MILLER as had been planned, and they immediately went to the office of the Pratt Steamship Company, 41 East 42nd Street, New York City. SCHWIMMER described Albert MILLER as follows: Age-about 50, height-5'7", weight-130, build-thin, hair-black, eyes-brown or green, race-Jewish, characteristics-smooth shaven, no scars, speaks with Jewish accent.

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MILLER advised SCHIMMER that he was in New York as a representative of the Jewish Agency and that he resided in Palestine. He further commented that he was in the United States to start a nucleus air transport line in anticipation of ultimate air transport service to Palestine. He stated that he felt the Jews would establish a nation in the Palestine area in the very near future. SCHIMMER was asked his qualifications and MILLER seemed to be thoroughly satisfied with his qualifications and asked SCHIMMER to work for him.

SCHIMMER stated that he was willing to work for MILLER but that he refused to do anything which would possibly be of an illegal nature. MILLER assured SCHIMMER that everything about the deal would be legal. SCHIMMER was advised to keep the transaction on a confidential basis. SCHIMMER stated that he did not know the names of other persons connected with MILLER and that he did not recall MILLER stating anything about the FOUNDRY ASSOCIATES, INC.

MILLER stated that they were interested in long range aircraft for the purpose of transporting freight to Palestine and desired that SCHIMMER locate planes of that type in the United States. SCHIMMER stated that planes of the Constellation or DC-4 class would meet the necessary requirements and made that recommendation to MILLER. MILLER was agreeable and authorized SCHIMMER to go to Los Angeles to look at Constellation planes at the Lockheed Air Terminal. SCHIMMER returned to New York, obtained \$25,000 and went to Washington, D.C. and purchased three Constellations from Mr. Thomas GADDEN, Director of Surplus Aircraft, War Assets Administration, Washington, D.C.

SCHIMMER stated that he came to Los Angeles approximately six weeks prior to the interview and made arrangements to ready the planes. He then telephoned MILLER at the Pratt Steamship Company and stated that he needed approximately 20,000 to get the operation started. This money was immediately forthcoming and a bank account was opened at Los Angeles.

SCHIMMER later received cashier's checks from the Chase National Bank in the following amounts: 20,000, 350,000, and 35,000. He has received a total of \$425,000 to ready the planes. (Note: a check-up of the bank records indicates another deposit of \$59,000).

He stated that though he has no first hand knowledge of the backing of Mr. Albert MILLER, he believes that the Jewish Agency is supplying all money for the transaction. He stated that when the planes are completed they will be flown to Millville, New Jersey. He believes this will be about February 15th. SCHIMMER is employing former Lockheed employees to condition the planes. He is paying his employees at the rate of \$1.20 per hour and is paying Mr. SALL \$300 per month for his services.

SCHIMMER stated that he desired to go on record as being quite aware of the fact that it is illegal to take planes out of the United States without proper State Department clearance. He is seeking licenses for the three planes from Mr. McLELL, George WALDENMAN, and C. T. HOLLAND of the Civil Aeronautics Authority in Los Angeles.

SCHIMMER is presently writing a manual which he hopes to have completed in approximately another month. He claims that a manual is necessary before the Civil Aeronautics Board will authorize the transport line. The manual will outline the route to be flown, frequency of flights, operational procedures, duties of officers, etc. SCHIMMER contemplates a conference with the Civil Aeronautics Board in Washington, D.C. for the purpose of licensing the proposed air line.

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Subject: P.N.M.L.-P.L. STIA - Commercial Air Line, establishment of.

Note: This information is as of April 1948

Mr. SCHWIMMER advised that the planes were undergoing modification for the purpose of flying air freight and that the line is to be operated by SCHWIMMER until the company is established, after which the Jewish Agency will take over the operational part of the endeavor.

SCHWIMMER stated that he was frankly very surprised at the trust placed in him by Mr. MILLER, stating that all of the airplanes were purchased in his name and that the \$125,000 was also banked under his name exclusively. SCHWIMMER believes this trust was placed in him because of his Jewish lineage and his sympathy with the Jewish cause in Palestine.

He stated that he was a bit disturbed about recent news of the shipment of TNT to Palestine. He commented that he knew nothing of the deal. He stated that MILLER had never commented to him as to the nature of the cargo which was to be taken to Palestine. SCHWIMMER stated he would withdraw from the deal should he be asked to transport any illegal cargo.

II. Excerpts from a memorandum made at Los Angeles by source #1:

On 19 January 1948, source #4 stated that Adolph William SCHWIMMER had secured five C-46 Curtiss Commando planes which had been brought from an unknown point to the Lockheed Terminal for modification.

III. Excerpts from a report made at Newark, New Jersey by source #5, 17 March 1948: (made available for review by source #1.)

Reference is made to paragraph I above which reflects that Adolph William SCHWIMMER purchased three war surplus Constellation planes for Albert MILLER, representative of the Jewish Agency for Palestine. Two planes were being conditioned at Burbank, California by SCHWIMMER, and were to be flown to Millville, New Jersey, about 15 February 1948, and used to transport freight to Palestine. It is noted that Albert MILLER was associated with Leonard WISMAN of Foundry Associates, Incorporated, who was involved in the purchase of M3 demolition explosives from the War Assets Administration for ultimate shipment to Palestine.

Inquiry by the Newark source revealed that the Millville, New Jersey airport is owned by the city of Millville, and had been rented to the Tri City Airport Company, a local concern which had difficulty in paying rent for the airport until January 1948 when it made an agreement with Service Airways, Incorporated for partial use of the field by the latter organization. One Constellation plane of Service Airways, Incorporated, arrived at the Millville Airport on 24 January 1948. Service Airways plan to transport freight to France and the Near East, and the first trip was to be made to Europe in the latter part of March 1948. A. W. SCHWIMMER is in charge of Service Airways and ~~Illie SOUCHAU~~ SOUCHAU is flight engineer for the firm. Confidential sources of this office advised that Service Airways officials had been creative as to the type of cargo they could handle. Informant noted that Service Airways had a \$500,000 bank account at Chase National Bank in New York City. Another confidential informant reported that Service Airways, Incorporated was incorporated under New York laws in 1945. (via SCHWIMMER is President, Irwin SCHWARTZ, Vice President, and Edith SCHWIMMER, Treasurer of the corporation. Active operations of Service Airways began on 1 February 1948. The office of this company was at 202 Fifth Avenue, New York City, until November 1945 when the corporation ceased activities and its headquarters was moved to 9508 Queens Blvd., Rego Park, Long Island, N.Y. (Note: Later in this report the address appears as 250 57th Street, NYC)

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Irving SCHINDLER, 32 years of age, married, born in the United States and a graduate of the University of Florida, was reported to have been a commercial pilot for American Overseas Air Lines for 4 1/2 years. From October 1942 to June 1947, he was employed with American Export Air Lines, and at Sussex County Airport in New Jersey. Irwin SCHWARTZ is reported to be 27 years of age, single, and formerly a U. S. Air Force navigator and radio operator. He was said to have been employed for two years as a radio technician for TWA in Cairo, Egypt. According to informant, Service Airways is to operate a non-schedule air freight service to different parts of the world from Millville, New Jersey. It is said to have cargo commitments for 13 months. At the present time Service Airways has one Constellation plane and three C-46 cargo planes based at the Millville Airport. In addition, Service Airways has two other Constellations and twelve more C-46 planes. The Constellation plane of Service Airways was due to leave the Millville Airport without cargo for Panama on 4 March 1948, but was delayed due to bad weather.

Five Maintenance men employed by Service Airways were reported to have applied for passports to go to Panama, and Service Airways officials tried to make arrangements with Customs and Immigration and Naturalization authorities at Philadelphia to establish wire service between Millville Airport and Philadelphia so that Customs matters could be handled at Millville. However, these arrangements were not completed and it is necessary for Service Airways to utilize the offices of those agencies at Philadelphia. The informant noted that Service Airways had both Civil and Aeronautics Board and Civil Aeronautics Authority licenses.

On 5 March 1948, an informant of source #6, advised that Service Airways had obtained a Panamanian Charter and was now listed as LINHAS AEROS DE PANAMA. Planes of the corporation were to be flown under the Panamanian flag, but Service Airways would still control its operations. Informant further advised that one of the C-46 cargo planes owned by Service Airways left Millville Airport on 5 March 1948 with a crew of five for Teterboro Airport, Teterboro, New Jersey, where it was to pick up freight and then proceed to Rome, Italy. Sam H. Lewis was reportedly the pilot of this plane.

Another confidential informant reported that the following employees of Service Airways had letters issued to them for passport purposes:

Harold L. ~~ALTAM~~, 1012 S. Hudson Avenue, Los Angeles 6, California,
William H. ~~ALLOM~~, 72A S. Griffith Park Drive, Burbank, California,
Preston S. ~~COOPER~~, 17515 Horace Street, Granada Hills, California,
Robert C. ~~EDDLE~~, 1867 S. West Temple Street, Salt Lake City, Utah,
Don S. ~~Roberts~~, 3102 ... Oak Street, Burbank, California,
Ernest R. ~~STALLIA~~, 345 N. Brand Boulevard, Glendale, California,
Raymond L. ~~GREENHOUSE~~, 14644 Voss Street, Van Nuys, California.

Informant advised that on March 10th, Service Airways, Incorporated had loaded one Constellation plane and one C-46 cargo plane with large packing crates, contents unknown. Both planes were scheduled to leave on March 10th for an unknown destination. Philadelphia Customs authorities had no knowledge concerning this event leaving either Millville or Teterboro Airport, New Jersey, for foreign countries. It was indicated that if shipments had been made from these ports they could possibly have been cleared at LaGuardia Field, New York, Norfolk, Virginia, or Miami, Florida.

Information developed then, indicated that Service Airways had maintenance work done on their planes at Teterboro Airport in New Jersey by Willis Air Service. It is then noted as a matter of possible interest that a Willis Air Service DC-4 plane was utilized by Hollis B. ~~SMITH~~ and Manolo ~~CASTRO~~ to

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transport arms and munitions to Havana, Cuba, and that two pilots employed by Willis Air Service were indicted for their part in the transaction. Informant pointed out that there were no Customs or Immigration Service authorities at Teterboro Airport, and that it would not be difficult for a plane to load cargo without inspection and take off for any destination.

IV. Excerpts from a report made at Los Angeles 9 April 1948 by source #1:

It has been determined that A. J. SCHWIMMER and his associate Ray SILK, are still busily engaged in converting Constellation and C-46 airplanes for transport work. The following additional information was developed: Informant advised that SCHWIMMER purchased another C-69 Constellation airplane bearing Serial Number 1962. The plane is now at the Lockheed Air Terminal being converted. Purchase was made on 18 March 1948. Informant was advised that the plane will be used to fly in a proposed air line from Panama to Spain.

In an interview held 9 March 1948 with source #7, made jointly by source #1 and an officer attached to the Los Angeles Naval Intelligence Office, source #7 advised that he has been in contact with SCHWIMMER on several occasions recently and learned that SCHWIMMER is now attempting to buy P-51D fighter planes. Source #7 advised that he is a pilot and flew fighter planes during World War II. According to his information, the P-51D fighter plane packs the most fire power of all of the P-51-type craft. SCHWIMMER's aide, Ray SILK, was said to have exhibited continuous interest in the purchase of P-51 planes. On March 5th, Ray SILK contacted source #7, and advised him that he wanted ten more P-51D's. He said he wanted them fully equipped and wanted the machine guns intact. SILK also advised source #7 that the deal would be strictly cash and that he would pay 5% for locating the planes. Source #7 stated that the P-51-type aircraft cannot be licensed in the United States, except that with a purchase from the War Assets Administration, a ferrying permit is issued to fly it to the home address of the purchaser. It is also possible to get a license to fly a P-51 in the Bendix Races. Source #7 believes that SILK and SCHWIMMER plan to take the P-51 planes out of the United States.

On 8 March 1948, SILK advised source #7 that the company he represented had ten million dollars to purchase aircraft and necessary equipment. Source #7 stated that in his opinion SILK planned to take the planes to Palestine or Arabia but he had no substantiating information. To corroborate his information, source #7 advised that one Gene TIGER had returned to Los Angeles in the last month after spending considerable time in Arabia. TIGER advised source #7 that he had been flying in Arabia and had a plane that would fly 300 miles per hour. In the opinion of source #7, this would mean that TIGER had flown P-51 or P-38 fighter-type craft. Source #7 further believes that the planes are possibly destined for Arabia or Palestine inasmuch as SILK has specifically indicated that the P-51 planes must have Merlin engines. Source #7 advised that his experience with the P-51 has proved that the Merlin engine is superior to the Allison engine for flying in hot climates.

On 22 March 1948, source #7 advised that about two weeks previous he had taken Mr. Ray SILK to the Minot Landing Field, Redwood, California, and had shown him three P-51 planes presently for sale. The planes are said to be owned by Mr. Ronald FREEMAN and are on sale for \$5,500 each. To date, SILK has not purchased any one of the three P-51 planes.

Another informant at Lockheed Air Terminal advised that William BLON (or BLUA) and Donald QUARTS left for Panama to prepare an air base for Mr. SCHWIMMER. This same informant stated he had heard that the Constellation planes presently being overhauled by SCHWIMMER could not be licensed in the United States and that the air line planned to move to Panama.

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On 11 March 1948, source #8 was interviewed. He advised that he was working for SCHILLER and SALK on week-ends while regularly employed by the Lockheed Aircraft Corporation. He claims to be a pilot and an expert airplane mechanic. He advised that one Ernest STALIC, who formerly worked at Lockheed Air Terminal, had not left for Italy where he plans to set up an airfield for SCHILLER's proposed air line. Source #8 advised that it was also general information that Harold TALLOS, Donald ROBERTS, William BLOCH, and one other unidentified person had left for New York City. In turn, they were to be flown to Panama where they will seek locations for an air strip for the servicing of airplanes. This strip is to be used by SCHILLER's air line. Source #8 stated that SCHILLER's employees approximate fifty men at Lockheed Air Terminal. He stated that at the present time, SCHILLER was engaged in conditioning three C-59 planes and five C-45 planes.

On 15 March 1948, source #5 advised that SCHILLER had told his employees that he was planning to fly 200,000 Greeks to Venezuela, and had further told them that the Civil Aeronautics Authority in the United States would not license his C-69 planes and he was, therefore, going to base them in Panama where they could be licensed (Note: Reference report indicates that SCHILLER deliberately started a false rumor that the planes would be used for flying 200,000 Greek nationals from Greece to Venezuela to throw competitors off in starting a freight service to Palestine).

On 24 March 1948, source #9 was interviewed. He advised that he has been in contact with Adolph SCHILLER on several occasions and to date has not licensed any of the C-69 or C-46A airplanes owned by SCHILLER. He advised that on several occasions SCHILLER has made application for licensing of planes, but to date none have been granted as the airplanes owned by SCHILLER's company do not meet CAA specifications for licensing in the United States. In regard to the C-69 planes, source #9 advised that the planes are of an early vintage and do not meet numerous requirements. One primary requirement not met was that CAA required that all of the engines be converted to the fuel engine type rather than using the carburetor type of fuel consumption presently on the C-69 planes. SCHILLER objected to converting the engines to fuel consumption inasmuch as it would require a great expense. In regard to the C-46A planes owned by SCHILLER, they have not been licensed inasmuch as the "tail control" does not meet CAA specifications and SCHILLER had advised source #9 that he cannot stand the expense of changing the "tail control" operation of the planes.

Source #9 advised that so far the CAA has issued ferrying permits to take the planes to Millville, New York (probably means New Jersey). On one occasion, SCHILLER painted an "NX" license on one of the C-69 and source #9 insisted that the "NX" license be removed. Source #9 explained that "NX" means that the plane is of an experimental type.

Source #9 advised that although he could not positively state, he is of the opinion that none of the airplanes owned by SCHILLER could be licensed by the CAA in the United States. He states that although he could not prove it, he has heard that the planes are to be licensed in Panama, and also that F. A. LEWIS, Chief Pilot for SCHILLER, told an applicant for a job that they were going to have refugees from the Middle East to Venezuela. Source #9 advised also that he heard from a reliable source that SCHILLER was backed by a large organization of rich Jews in New York City.

V. excerpts from a letter from the Collector of Customs at Los Angeles to the Munitions Control Division of the State Department, Washington, D.C., made available for review by source #10:

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Subject: PANAMA-P.L. STINE - Commercial Air Line, establishment of.

Note: This information is as of April 1948

"On 13 April 1948, an attempt was made by John L. WESTLAND and Son, Inc., (Customs Broker) and/or Service Airways, Inc., and/or Maxwell Associates, Inc., to export combat military aircraft engines from this port (Los Angeles) without an export license having first been secured. This attempt was made regardless of definite information given by this office to the exporters that military aircraft engines, not showing on the State Department "free" list, were restricted for export unless clearance was made under a valid State Department license.

"In the face of this information, and knowing that the type of engines they were attempting to export were not on the free list, the exporters in question filed false declarations with this office, classifying the engines they were attempting to export as being R-2800-CA-15, which engine did not require a license until midnight of the 14th. The vessel they were attempting to make was to clear in the afternoon of the 14th (for Panama).

"At the time of clearance of his documents, the exporter was questioned as to whether or not the engines being offered for export were R-2800-CA-15. They stated definitely that the engines were as then classified. Inasmuch as it appeared evident that the exporters were endeavoring to get this shipment out of the country in violation of State Department regulations, our inspection force was requested to examine the merchandise on the dock. This examination disclosed that the engines were new combat aircraft surplus engines, in original factory cases, made by Pratt & Whitney Aircraft Corporation with a model designation of R-2800-10. Contact was made with a technical engineer of the Pacific Airmotive Corporation (who are Pratt & Whitney representatives) and it was determined that this engine was built for use on the Army P-61-A and D, the Navy F6P3, 5, and P or the British Helicat I.

"Although the exporter at the same time was shipping some blower shafts, which he claimed would later be used to modify these engines to a CA-15-type, the Pacific Airmotive engineer informed us that even if the engines had been modified prior to export that they still would not be a CA-15 engine nor could they use, for example CA-15 propellers on the engine as modified, but actually the modification, although being similar to a CA-15, would convert the engines to an R-2800-51 and that had the modification been done prior to export, the engines would still definitely be military engines."

VI. Miscellaneous data relating to attempt at illegal export of 42 military aircraft engines:

A seizure of the merchandise has been effected by Customs at Los Angeles, and a warrant for further detention is being secured and the case will be turned over to the United States Attorney's office at Los Angeles for further action.

A check of the Export Declaration filed on the above indicates that it is for 42 airplane engines. John L. Westland and Son, Inc., Customs Broker at Los Angeles is shown as the broker involved, and Service Airways, Inc., 250 E. 57th Street, New York City, as the exporter. The consignee of the engines is LINEAS AEREAS DE PANAMA, Tocumen Airport, Republic of Panama.

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DIO-11ND Serial 42-43

46260

28 April 1948

Subject: PANAMA-PALESTINE - Commercial Air Line, establishment of.

Note: This information is as of April 1948

One of the truck drivers who delivered the airplane engines to the shipside stated that he picked up his load at Westland & Maxwell Associates, 2801 Santa Fe Avenue, Vernon, California.

Investigation indicates that there is no such firm as ~~Westland & Maxwell Associates~~. However, at 2801 Santa Fe Avenue, Vernon, there is a Maxwell Associates, Inc. Records of the City Clerk's office at Vernon indicate that Maxwell Associates, Inc., have a city license signed by a Mr. HANSMANN; and there is a letter on file signed by ~~Maxwell Associates, Inc.~~ 15 Moor Street, New York City, in which it is stated that Maxwell Associates are agents for the War Assets Administration; and that they store government-owned war surplus material; that they never have title to merchandise but collect commissions on sales made for war surplus to private purchasers.

It is believed possible that there may be a connection between SCHIMMEL's interests and Maxwell Associates. However, source #11 who is believed to be reliable, states that in the many transactions War Assets at Los Angeles has had with Maxwell Associates, everything has always been open and aboveboard; that Maxwell Associates, at the present time, have between 8 and 10 million dollars worth of War Assets Surplus material stored in their warehouse for the government. Source #11 states that retired U.S. Naval Admiral Solomon S. ISMITH, formerly was associated with Maxwell Associates; that the Admiral now operates an air line between the United States and the Mediterranean. Source #11 is certain that Maxwell Associates did not buy any R-2600 series engines through War Assets in the Los Angeles area; that it is quite possible, however, that they could have purchased them in Honolulu or in any number of other places without War Assets at Los Angeles having any record of the transaction. Source #11 added that he is certain Maxwell & Associates are very familiar with all government regulations, and if an attempt was made to export anything contrary to regulations it was not done through ignorance.

According to sources #11 and #12, a Mr. S. MOSS is the head of the Los Angeles office of Maxwell & Associates.

At the present time, it appears that John L. ~~Westland & Son, Inc.~~ at 324 S. Spring Street, Los Angeles, exporters, are involved as is Service Airways, Inc., in the deliberate falsification of the export documents in the attempt to export the 42 military aircraft engines. However, this matter is now under investigation by the Custom's office at Los Angeles preparatory to prosecution by the United States Attorney's office at Los Angeles. It has not yet been determined whether it will be a civil or criminal action. John L. WESTLAND is a U. S. Naval Reserve officer with the rank of Lieutenant Commander, presently on two weeks active training duty at the Los Alamitos Air Base in Orange County, California. A confidential informant of source #10 stated that John L. WESTLAND (Lt. Comdr., USNR) stated he was "in a jam with Custom's over export licenses" and is seeking legal counsel.

VII. Information concerning Service Airways with particular reference to activities of this concern in Panama, and ties with Soviet agencies purchasing war material.

On 21 April 1948, a confidential, reliable informant of source #1 advised as follows: Service Airways has secured twenty-three Curtiss Commando planes, to be used as feeder planes between the United States and Panama. Service Airways are now attempting to get airplane mechanics to go to Panama. They are offering them \$500 per month salary. It is not known how many have already accepted this employment. Service Airways operates in Panama under the name of LINEAS AEREAS DE PANAMA; they are based at Tocumen Airport in Panama. Service Airways has purchased four C-69's, first three, then one more.

CONFIDENTIAL

DIO-11ND Serial 52-40

46261

28 April 1948

Subject: P.N. MA-PALESTINE - Commercial Air Line, establishment of.

Note: This information is as of April 1948

This same source advised that one of the persons in Panama who appears to be most cooperative with Service Airways is one Marcos A. GILBERT, Director of Aeronautics for the Republic of Panama. A letter from Mr. GILBERT to Mr. SCHILLER (or to his company - is is not known which), concerning the licensing of eight C-46 airplanes states "you owe me a chicken dinner". It appears that there is a close relationship and/or friendship between the two; and it is believed advisable, that if any inquiries are made in Panama, it be taken into consideration that there may be very close business or personal friendship between Mr. GILBERT, Director of Aeronautics for the Republic of Panama, and Service Airways and/or Lineas Aereas De Panama.

On 23 April 1948, source #13 advised that Albert MILLER, (who was associated with Leonard WEISSMAN of Foundry Associates, Inc., was involved in the purchase of M3 demolition explosives from War Assets for ultimate shipment to Palestine, and who appears to be possessed of great means, which the foregoing report traces back to Jewish agencies purchasing war material in the United States for use in Palestine) is now in Los Angeles and appears to be very closely associated with Adolph SCHILLMAN and the Service Airways company.

VIII. Investigational jurisdiction:

Sources #1 and #10 are presently awaiting a ruling from Washington, D.C. concerning investigational jurisdiction in the above reported violation of law. It is believed that a joint investigation and/or preparation of evidence for use in court may result. Since the Naval Intelligence Office at Los Angeles was instrumental in bringing sources #1 and #10 together to avoid independent action and independent investigations at cross purposes with each other, it is believed that Naval Intelligence will be advised by both sources as developments occur which may have a bearing on the foreign intelligence interest that is within the jurisdiction of Naval Intelligence.